Weekly Economic Review

Broad gains in Alberta's economic activity

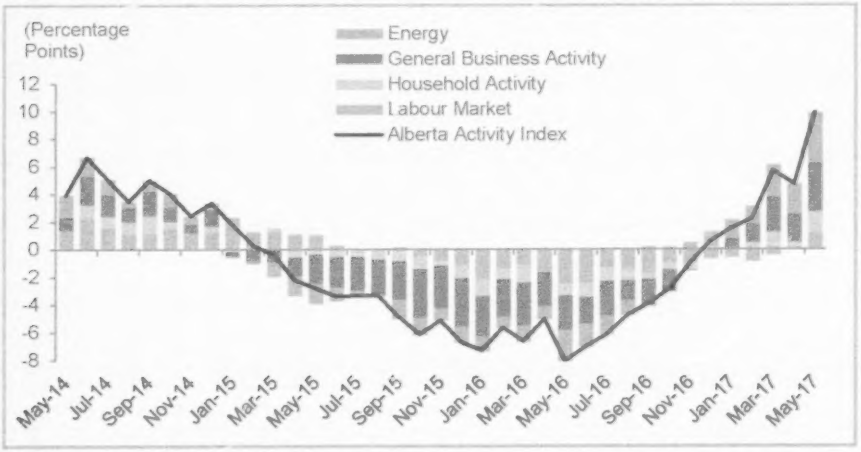
Alberta Activity Index

Widespread recovery underway

The Alberta Activity Index (AAX) continues to indicate the provincial economy is exiting recession. The index jumped 2.2% month-over-month (m/m) in May, and has recovered over three quarters of recession losses. Compared to May 2016, activity was up 10%, as all nine indicators saw year-over-year (y/y) gains. Energy-specific activity was responsible for over a third of the growth (Chart 1), rebounding from plunging activity and wildfire related outages last year. For more information on the AAX, see *April 2017's inFocus - Introducing the Alberta Activity Index.*

Chart 1: Energy sector leads activity growth

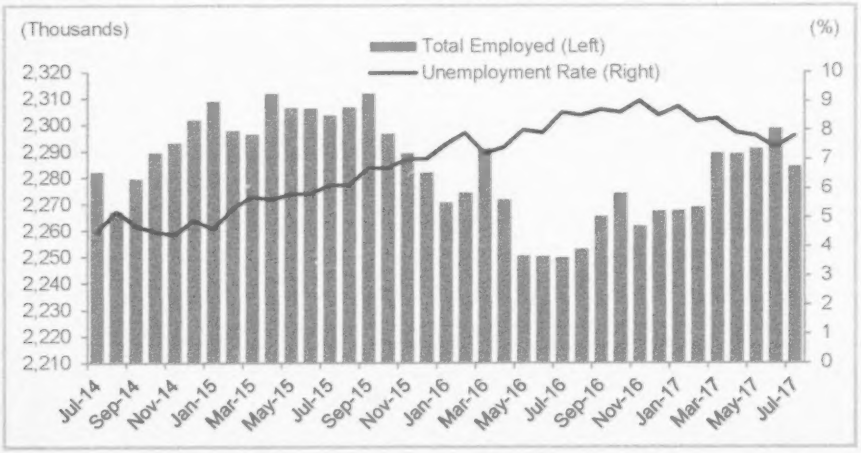
Contributions to year-over-year growth in the Alberta Activity Index



Source: Alberta Treasury Board and Finance

Chart 2: A pause in the job recovery in July

Alberta total employed and unemployment rate



Source: Statistics Canada

Employment

Some volatility in the recovery

Alberta's employment recovery took a step back in July. After trending up since December, and a healthy gain in June, employment declined by 14,400 in July. The monthly decline was concentrated in the services sector (-14,200), led by a drop in educational services. Goods sector employment was virtually unchanged (-200). Compared to last year, employment increased 34,500, or 1.5%, with the goods and services sectors seeing similar year-over-year increases. Although the unemployment rate (7.8%) reversed the June decline it remained well below the November 2016 peak of 9.0% (Chart 2).

Merchandise Trade

Lower prices hampered energy

Alberta exports fell in June, erasing the gains made in the previous month. The total value of goods exports declined 8.4% m/m to $8.2 billion, as lower commodity prices resulted in a large decline in energy exports (-9.6% m/m). Farm, fishing, and food products (-18% m/m) and chemical, plastic, and rubber product exports (-8.8% m/m) also fell. Compared to the previous year, the value of exports was up 31%, mainly due to improvements in energy exports (+38% y/y). Overall, in the first half of 2017, Alberta exports improved 43% compared to the same period in 2016.

Consumer Bankruptcies

Consumers remain under pressure

Although the economic recovery is well underway, the number of households behind on their debt repayment remains elevated. In May, there were 1,185 Albertans who filed for insolvency (bankruptcies plus proposals), up 161 from April. Both the number of bankruptcies and proposals increased. Despite the increase in the number of bankruptcies, they remained relatively low. Compared to a year ago, the number of consumers filing for bankruptcy declined while consumer proposals increased (Chart 3). Although the number of bankruptcies increased throughout the downturn, they have remained well below the 2009 levels.

Crude Oil Production

Production resumes at upgrader

Oil production got a lift in May as an upgrader resumed production after shutting down due to an explosion and fire in March. Alberta's oil production increased 4.1% m/m to 2.9 million barrels per day. With production partially resuming at Syncrude's Mildred Lake oil sands facility, synthetic crude was up 22% m/m (Chart 4). The facility is expected to take until mid-July to reach full production. Bitumen production declined 2.9% m/m and growth in conventional crude stalled from the previous month.

Rigs Drilling

Alberta drilling activity on the rise

The rig count continued to improve upon last year lows. The average number of active rigs in Alberta stood at 119 rigs in July. The active rig count was double from the previous year and held just above the July 2015 average of 116 rigs. Continued improvement in the rig count pushed the rig utilization rate up to 28%. Across the rest of the country, rig activity was 145% higher than a year ago. In the US, the average number of rigs drilling increased for a 14th month in a row.

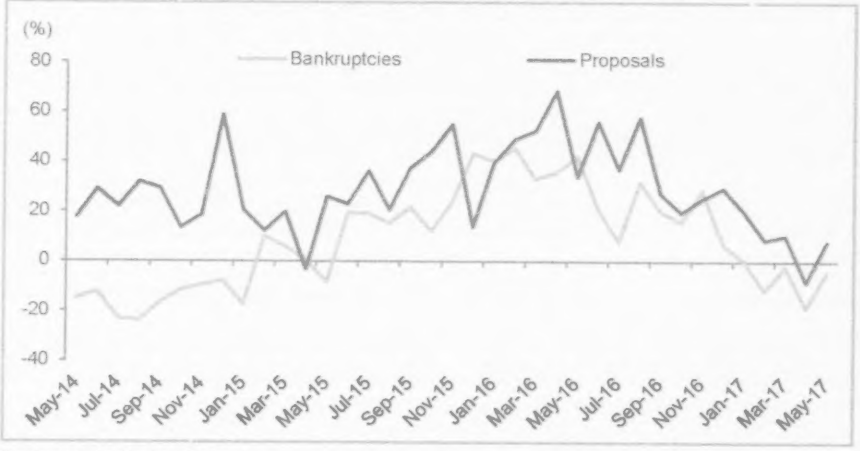
US GDP

US economy gains some traction

Economic activity in the US accelerated in the second quarter of 2017. US real GDP expanded at 2.6% (annualized) in the second quarter, faster than the 1.2% in the first quarter. The pace of growth picked up due to increases in nearly all categories, led by consumer spending. Non-residential investment and net exports were positive contributors for the second consecutive quarter, after holding growth lower over the last few years.

Chart 3: Proposals up from a year ago in Alberta

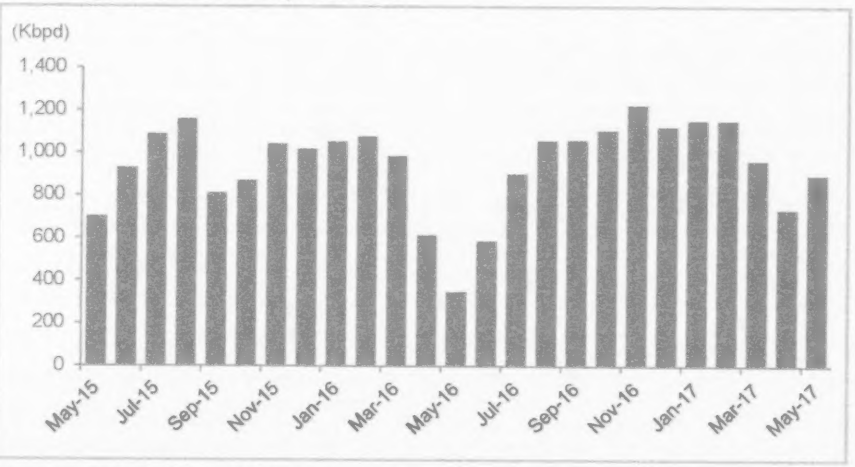
Year-over-year growth in consumer bankruptcies and proposals



Source: Industry Canada

Chart 4: Synthetic oil production increases in May

Alberta synthetic crude oil production



Source: Alberta Energy Regulator

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.